

STATE OF LOUISIANA LEGISLATIVE AUDITOR

**Shreveport-Bossier Convention
and Tourist Commission**
Shreveport, Louisiana

October 23, 2000



Investigative Audit

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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Shreveport-Bossier Convention and Tourist Commission

October 23, 2000



**Investigative Audit
Office of the Legislative Auditor
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor**

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October 23, 2000

**BOARD OF DIRECTORS
SHREVEPORT-BOSSIER CONVENTION
AND TOURIST COMMISSION**
Shreveport, Louisiana

Transmitted herewith is our investigative report on the Shreveport-Bossier Convention and Tourist Commission. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our findings and recommendations, as well as your response. Copies of this report have been delivered to the Honorable Paul J. Carmouche, District Attorney for the First Judicial District of Louisiana, the Honorable James M. Bullers, District Attorney for the Twenty-Sixth Judicial District of Louisiana, and others as required by state law.

Respectfully submitted,

Daniel G. Kyle, CPA, CFE
Legislative Auditor

GFC:SLC:DGP:dl

[SBTOUR]

Executive Summary

Investigative Audit Report Shreveport-Bossier Convention and Tourist Commission

The following summarizes the findings and recommendations as well as management's response that resulted from this investigation. Detailed information relating to the findings and recommendations may be found at the page number indicated. Management's response may be found at Attachment III.

President and Vice-President Paid Themselves Excessive Salary

(Page 7)

Finding:

During the period January 1996 to June 2000, former president of the Shreveport-Bossier Convention and Tourist Bureau (Bureau), Mr. Preston Friedley, Jr., paid himself \$42,075 more than the amounts included in the Bureau's budget for his salary. In addition, the amounts budgeted each year for Mr. Friedley's salary increased without any evidence of board discussion or written authorization as required by Mr. Friedley's employment agreement. During that same period, Ms. Randy Sue Jones, former vice-president of administration and finance, received \$39,410 more than she was entitled to receive.

Recommendation:

We recommend that the Commission's board implement policies and procedures pertaining to salary increases and incentives for eligible employees. Any allowable incentives should be in the form of written contracts. The board should also ensure that it is provided with all relevant information in order to make informed decisions regarding the budget process. Finally, we recommend that the District Attorneys for the First Judicial District and the Twenty-Sixth Judicial District of Louisiana review this information and take appropriate legal action, to include seeking restitution.

Management's Response:

We have taken several steps to make sure that these types of abuse never occur again including hiring a second employee in accounting and upgrading the computer system with all bank reconciliations and financials now running on one system. In

addition to forming finance and personnel committees, we have hired a Human Resources Manager, who will rewrite our personnel policies and provide backup in the accounting department. A local CPA confirms that our books are in complete balance at the end of each month. All checks are computer generated and the Bureau's board now receives a detailed monthly check register for review along with monthly financial and balance sheet statements.

Public Funds Used for Personal Purposes

(Page 10)

Finding:

From January 1995 to January 2000, Mr. Preston Friedley, Jr., former president of the Shreveport-Bossier Convention and Tourist Bureau (Bureau), used public funds totaling at least \$7,403 to pay for expenses that appear to be personal or fraudulent in nature. Mr. Friedley was also reimbursed at least \$497 for receipts included on his expense reports that had already been paid for using the Bureau's credit card. In addition, we found 24 occasions where Mr. Friedley submitted receipts totaling at least \$1,552, which had been altered or mutilated in some manner.

Recommendation:

We recommend that the Commission implement policies and procedures to ensure that only legitimate business expenses are paid for by the Commission. These policies and procedures should prohibit the acceptance of altered or mutilated receipts as evidence of a public purchase and should include a thorough review of all documentation submitted to ensure that funds were used for a valid public purpose. In addition, we recommend that the District Attorneys for the First Judicial District and the Twenty-Sixth Judicial District of Louisiana review this information and take appropriate legal action, to include seeking restitution.

Management's Response:

In addition to hiring a second employee in the accounting department, the board has implemented and adopted new policies and procedures for travel, credit cards, and cell phones. Personnel are no longer allowed to carry credit cards on a regular basis. Credit cards must be checked out from the accounting department for limited purposes and detailed, properly documented receipts must be turned in immediately.

**Commission Donated Its Funds in
Violation of Constitution**

(Page 14)

Finding:

The Shreveport-Bossier Convention and Tourist Commission (Commission) deposited its funds into a bank account in the name of the Shreveport-Bossier Convention and Tourist Bureau (Bureau). The Commission is a statutorily created public entity while the Bureau is a private, non-profit entity. Though both entities operated to accomplish the goals of the Commission, this transfer of public funds to the Bureau appears to be a donation that is prohibited by the Louisiana Constitution. Furthermore, the Bureau used a portion of these public funds for expenses that were not allowable by the Louisiana Constitution and were not in the best interest of the public. These included tickets for entertainment and sporting events; travel for spouses and friends of board members; alcoholic beverages; flowers for employees, board members, their relatives, and their friends; and food for office celebrations.

Recommendation:

We recommend that the Commission terminate its cooperative endeavor agreement with the Bureau as no public purpose or benefit is provided. We further recommend that the Commission dissolve and discontinue any relationship with the not-for-profit corporation. The Commission should operate as a public entity and should adopt formal policies and procedures for travel, entertainment, and purchasing.

Management's Response:

Although we respectfully disagree with the conclusion that the Commission's transfer of funds to the Bureau raises constitutional issues, we concur with the recommendation that the Commission operate as a single public entity by dissolving its relationship with the Bureau. The Commission has already taken steps toward this goal and will continue to address this recommendation in the weeks ahead. We also concur that the enumerated expenses were inappropriate and have implemented a number of changes over the past several months designed to prevent incurring such expenses in the future. We have adopted a new detailed travel policy which includes an "Authority to Travel" form and an explanation of what are proper and improper expenses. Also included in the travel policy, and further detailed in the credit card policy, are entertainment procedures. Finally, purchases are specifically addressed in both policies.

Background and Methodology

The Shreveport-Bossier Convention and Tourist Commission (Commission) was created in 1970 by an act of the Louisiana Legislature. The Commission is funded by a hotel/motel tax and is responsible for developing the Shreveport-Bossier tourist market and expanding the area's share of the national convention and tourism industry.

Each year the Commission turns over its funds to the Shreveport-Bossier Convention and Tourist Bureau (Bureau) in exchange for providing the services necessary to promote tourism in the area. The Commission has no books, records, or bank accounts as this information is maintained under the name of the Bureau. In addition, the same board of directors and employees operate the Commission and the Bureau.

During May 2000, the Legislative Auditor received information from the City of Shreveport Internal Audit Department indicating that the Bureau's former president and former vice-president of administration and finance had received unauthorized pay increases and bonuses. This investigation was conducted to determine the accuracy of this information.

The procedures performed during this investigative audit consisted of (1) interviewing employees and officials of the Commission and Bureau; (2) interviewing other persons as appropriate; (3) examining selected documents and records of the Commission and Bureau; (4) making inquiries and performing tests to the extent we considered necessary to achieve our purpose; and (5) reviewing applicable state laws.

The results of our investigation are the findings and recommendations herein.

Findings and Recommendations

PRESIDENT AND VICE-PRESIDENT PAID THEMSELVES EXCESSIVE SALARY

During the period January 1996 to June 2000, former president of the Shreveport-Bossier Convention and Tourist Bureau (Bureau), Mr. Preston Friedley, Jr., paid himself \$42,075 more than the amounts included in the Bureau's budget for his salary. In addition, the amounts budgeted each year for Mr. Friedley's salary increased without any evidence of board discussion or written authorization as required by Mr. Friedley's employment agreement. During that same period, Ms. Randy Sue Jones, former vice-president of administration and finance, received \$39,410 more than she was entitled to receive.

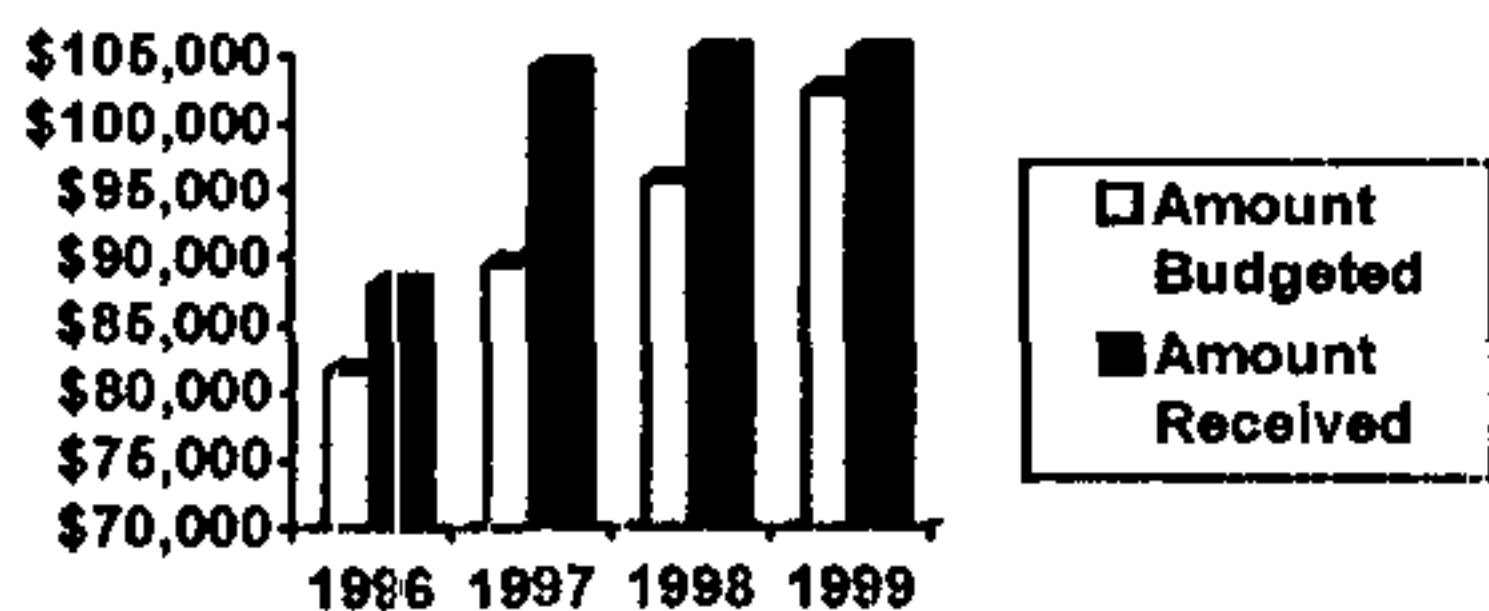
On January 2, 1996, the Bureau's board of directors (board) and Mr. Friedley entered into an employment agreement which provided that Mr. Friedley would be paid not less than \$70,000 per year as salary and an additional 10% of salary as deferred compensation. This agreement further provided that additional salary and benefits may be agreed to from time to time between the two parties. Act 1181 of the 1999 Legislative Session modified state law retroactively to authorize the Bureau to provide incentives to Mr. Friedley provided that these incentives are specified in the terms and conditions of a written employment contract. Mr. Friedley's employment agreement does not provide for any incentives or bonuses.

On an annual basis, the board approved an operating budget submitted by Mr. Friedley. These budgets contained lump sum totals for each revenue and expense category including salaries and were supported by schedules that detailed the salaries of Mr. Friedley and Ms. Jones. According to numerous board members, including the members of the executive committee responsible for budget research, Mr. Friedley did not provide the detailed budget information during the budget approval process. Therefore, board members were not aware of the specific amount Mr. Friedley included in the annual budgets for individual salaries, including his own.

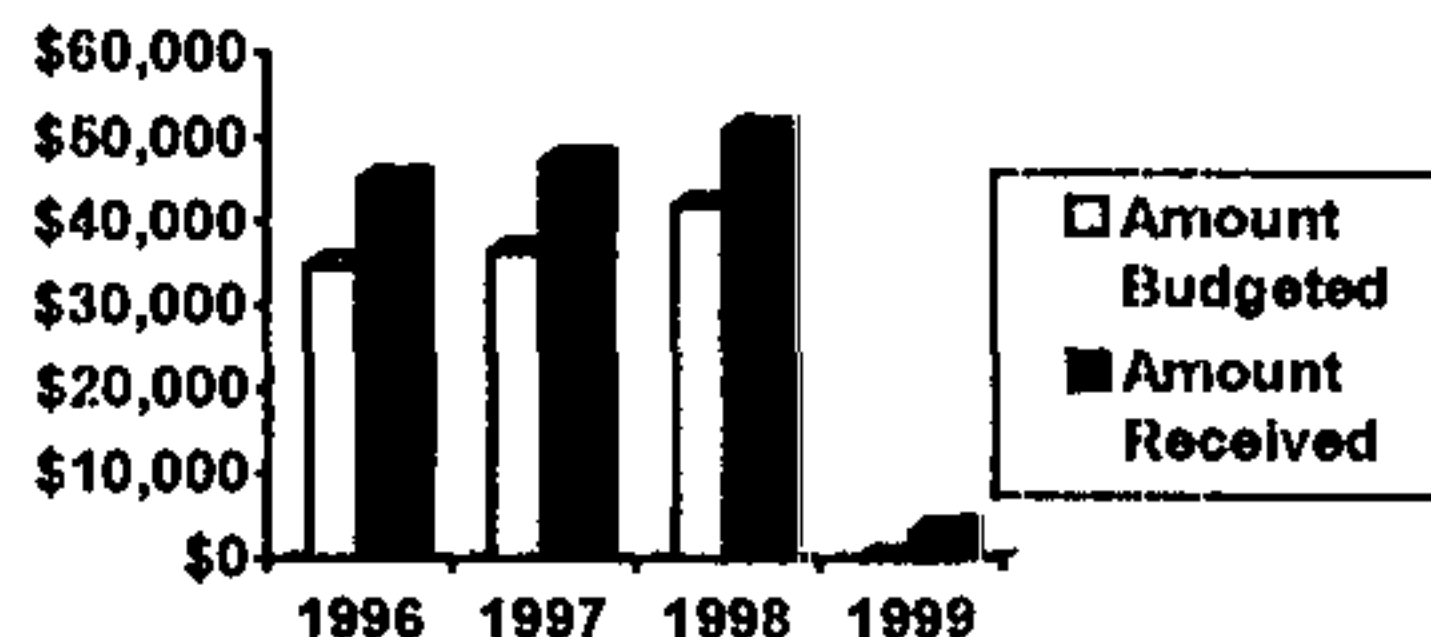
EXCESSIVE PAYMENTS TO MR. FRIEDLEY AND MS. JONES

From January 1996 to June 2000, Mr. Preston Friedley, Jr., paid himself \$42,075 more than was included in the annual budgets for his salary. During that same period, Ms. Randy Sue Jones, former vice-president of administration and finance, received \$39,410 more than the budget authorized her to receive. Mr. Friedley was authorized to set Ms. Jones' salary, which was included in the budgeted amounts approved by the board for administrative salaries. The excessive payments received by Ms. Jones were in addition to the amount Mr. Friedley budgeted for her salary. Mr. Friedley and Ms. Jones received these excessive payments in the form of supplemental payroll checks, incentive payments, bonuses, and increases to their payroll checks.

Compensation Paid to Preston Friedley, Jr.



Compensation Paid to Randy Sue Jones



The supplemental checks, incentive payments, and bonuses were not specifically authorized by the board or the employment agreement between Mr. Friedley and the board. In addition, Mr. Friedley included portions of the bonuses that he paid himself in the annual budget as "Salary Contingency for Sick Leave" rather than as a separate line item. This had the effect of concealing from the board the true purpose of the budgeted funds.

When asked about the excessive payments, Mr. Friedley stated that the Bureau implemented an incentive program for the administrative staff. He stated that based on the Bureau's revenue, he would receive a bonus that was budgeted, informally discussed with the incoming and outgoing board chairmen, and documented in the Bureau's files. However, as detailed above, these incentives and bonuses were not specifically budgeted. In addition, we spoke to several board members including all of the board's past chairmen serving since 1995. None of these board members had knowledge or could provide any evidence of a bonus or incentive program for Mr. Friedley or Ms. Jones that was approved by the board. We did find a contract signed by Mr. Johnny Wessler, Bureau treasurer, dated October 6, 1999, providing for a \$5,000 bonus to be paid to Mr. Friedley. Mr. Wessler stated that the signature on the contract is his; however, he did not remember signing the contract or discussing it with Mr. Friedley. In addition, we spoke to 13 of the 17 board members regarding the bonus contract and were told that the board did not approve this contract nor have any knowledge of its existence.

Ms. Jones stated that Mr. Friedley instructed her to prepare additional payroll checks and bonus checks payable to Mr. Friedley and herself. Bureau policy requires two signatures on each of these checks. Ms. Jones added that on occasion she saw Mr. Friedley sign both his name and a board member's name to the checks she prepared. Ms. Jones stated that on these occasions, Mr. Friedley would sign his name and then use a previously signed check, as an example, to duplicate the board member's signature. Ms. Jones stated that Mr. Friedley would ask for a pen with either a different color or type of ink to duplicate the board member's signature.

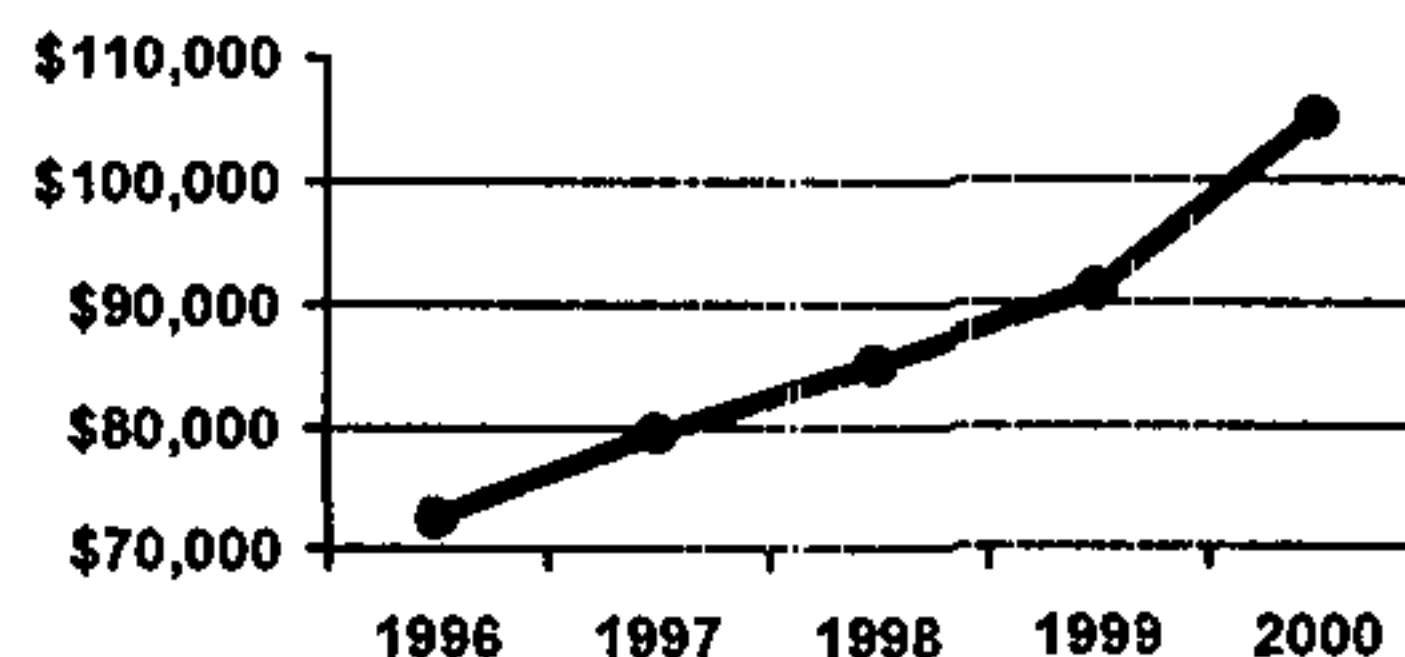
Mr. Ray Ferland, current board chairman, and Ms. Margerette Cupp, former board chairman, both identified numerous checks payable to Mr. Friedley and Ms. Jones as containing forgeries of their signatures. The signatures on these checks appear to have been written in a manner to duplicate the valid signatures of Mr. Ferland and Ms. Cupp. A handwriting analyst identified at least eight checks where in his opinion "the signature of Margerette Cupp was fraudulently written on the questioned checks, and it is highly probable that Preston Friedley did pen the documents." (See Attachment I for a sample of these checks.)

BUDGETARY INCREASES OF MR. FRIEDLEY'S SALARY

As stated before, the employment agreement between Mr. Friedley and the Bureau provides that additional salary for Mr. Friedley may be agreed to from time to time between the two parties. The retroactive state law passed in 1999 requires these agreements to be in the form of a written contract.

During the period 1996 to 2000, Mr. Friedley's budgeted salary increased from \$72,500 to \$105,000. As mentioned previously, the budget shown to and approved by the board did not include this detail, rather it included one total for all administrative salaries. In addition, we did not find any board discussions or written contracts authorizing Mr. Friedley to increase his salary. Mr. Friedley's salary was included in the budget line item for administrative salaries, which included the salaries of at least three other employees thus effectively concealing from the board the actual amount Mr. Friedley budgeted for his own salary. Several board members recall approving a 7% increase in Mr. Friedley's salary for the 2000 budget; however, Mr. Friedley actually raised his salary by more than 15%.

Mr. Friedley's Budgeted Salary



By paying themselves more than they were authorized to receive and signing board members' names to the Bureau's checks without authorization, Mr. Friedley and Ms. Jones may have violated one or more of the following Louisiana laws:

- R.S. 14:67, "Theft"
- R.S. 14:72, "Forgery"
- R.S. 14:134, "Malfeasance in Office"

We recommend that the Commission's board implement policies and procedures pertaining to salary increases and incentives for eligible employees. Any allowable incentives should be in the form of written contracts. The board should also ensure that it is provided with all relevant information in order to make informed decisions regarding the budget process. Finally, we recommend that the District Attorneys for the First Judicial District and the Twenty-Sixth Judicial District of Louisiana review this information and take appropriate legal action, to include seeking restitution.

PUBLIC FUNDS USED FOR PERSONAL EXPENSES

From January 1995 to January 2000, Mr. Preston Friedley, Jr., former president of the Shreveport-Bossier Convention and Tourist Bureau (Bureau), used public funds totaling \$7,403 to pay for expenses that appear to be personal or fraudulent in nature. Mr. Friedley was also reimbursed \$497 for receipts included on his expense reports that had already been paid for using the Bureau's credit card. In addition, we found 24 occasions where Mr. Friedley submitted receipts totaling \$1,552 which had been altered or mutilated in such a manner as to conceal the items purchased or the origination of the receipt.

As president, Mr. Friedley was provided with a Bureau credit card and was reimbursed for any out of pocket expenses related to the Bureau. During the period January 1995 through January 2000, Mr. Friedley incurred \$7,403 in expenses that appear to be personal in nature but were either reimbursed to Mr. Friedley or paid directly by the Bureau. Some of these personal purchases included a family vacation to Walt Disney World, a dress, hair highlights, framed prints, ski clothing, and other personal articles of clothing. Mr. Friedley also submitted \$497 in receipts for reimbursement, which had already been paid for by the Bureau with a Bureau credit card. These duplicates contain expenses that were both personal and business in nature.

Following are a few examples of the expenses that appear personal in nature.

TRIP TO WALT DISNEY WORLD

From July 18 to July 25, 1998, Mr. Friedley charged \$4,437 to his Bureau credit card for a 7-night package at the Hotel Continental in Lake Buena Vista, Florida. Included in these charges were 7 nights in a suite for four people, four 7-day passes to Walt Disney World, meals for four people, tickets to a Polynesian Luau, tickets to the Fiesta Fun Center, tickets to Creature Comforts, a Goofy doll, and other miscellaneous items. Mr. Friedley stated that he was attending the annual convention for the International Association of Convention and Visitor's Bureaus. Mr. Friedley's ex-wife and two children went with him to the convention.

Ms. Kimberly Hammond, Bureau employee, also attended the convention on behalf of the Bureau. Ms. Hammond stayed 5 nights at the Hotel Continental for a total cost of only \$839. Based on the rate charged for Ms. Hammond's room and other legitimate business expenses incurred by Mr. Friedley, the total cost for Mr. Friedley's hotel stay should have been no more than \$1,430. Therefore, at least \$3,007 of these charges appear to have been personal in nature.

Mr. Friedley stated that pursuant to standard practice and the verbal approval of his chairman, his travel and the travel of his partner was paid for by the Bureau. Mr. Friedley added that he personally paid for his children's travel. However, Mr. Eddie Faith, 1998 chairman, did not recall having a conversation with Mr. Friedley about this convention. Mr. Faith added that he would not have given Mr. Friedley approval to take his family to Disney World at the Bureau's expense. Mr. Friedley further stated that this was not a vacation package but was rather an annual meeting of the International Association of Convention and Visitor's Bureaus.

DRESS PURCHASED AT EXCLUSIVELY RUTH'S

On his December 1999 expense report, Mr. Friedley submitted for reimbursement a receipt totaling \$340.20 for a purchase at Exclusively Ruth's, a ladies' apparel store. The receipt (at right) does not provide any detail as to what was purchased. Ms. Linda Kes, an employee of Exclusively Ruth's, recalls Mr. Friedley purchasing a dress for Ms. Francoise Haskett on December 18, 1999. Ms. Kes said that she remembers the purchase because Ms. Haskett visited the store and tried on the dress. According to Ms. Kes, Mr. Friedley returned at a later time to purchase the dress and told her that the dress was a gift for his girlfriend. Ms. Haskett confirmed the purchase of the dress by Mr. Friedley. When asked about the purchase of the dress, Mr. Friedley said he has never heard of Exclusively Ruth's and does not recall purchasing anything there.

EXCLUSIVELY RUTH'S	
BOSSIER CROSS RD	
7290	
P000540	
	315.00 1
SETL	315.00
TAX1	25.20
TOTL	340.20
CHECK	340.20
LINDA	
DEC. 18 '99	
5708	15:3001


HAIR HIGHLIGHTS IN LAS VEGAS

SE	
Cash	Room #: 1011
Credit	Printed: 07/26/99
Member	Res. By: CASSI
Appt. Date: 07/26/99 Time: 01:30p	
Associate: LONG KELLY	
Service: HIGHLIGHTS	
Charge:	185.00
Gratuities:	20.00
Totals:	185.00

On July 26, 1999, Mr. Friedley charged \$185 to his Bureau credit card at Cleopatra's Beauty/Barber Shop at Caesar's Palace in Las Vegas, Nevada. The receipt (at left) shows that Mr. Friedley purchased hair highlights costing \$185. Mr. Friedley's room receipt shows that Ms. Haskett received the hair highlights. In addition, Mr. Friedley attached this receipt to his July 31, 1999, expense report and was reimbursed \$85 for the highlights. The Bureau's accounting and financial policies and procedures manual specifically states that expenses such as haircuts will not be reimbursed by the Bureau. The receipt attached to Mr. Friedley's expense report was cut in half so as not to identify the purpose of this purchase. As a result, Mr. Friedley used \$270 of Bureau funds for this personal expense.

PARKING AT LE MERIDIEN

On his July 1996 expense report, Mr. Friedley submitted a fraudulent receipt (at right) for \$69 from the Le Meridien Hotel that he claimed was for parking. This receipt appears to have had information cut from the left side of the receipt. A representative of the Le Meridien identified this receipt as a room rate confirmation for June 5, 1996, and not a parking receipt. According to the representative, these confirmations are mailed to every guest. The Bureau's credit card records indicate that Mr. Friedley stayed at the Le Meridian on June 5, 1996.

06/06/96	RATES DO NOT INCLUDE APPLICABLE TAXES, OCCUPANCY, OR OTHER TAXES	
06/05/96	2	Reservation No. 2945
Arrive	Time	Group No. 11527
69.00	\$ 0.00	
Plan/Rate	Deposit Rec'd	
		
NEW ORLEANS		
CHECK OUT TIME IS 12:00 NOON		

FRAMED PRINTS PURCHASED FROM ART STUDIO

On October 3, 1999, Mr. Friedley used his Bureau credit card to purchase four prints totaling \$825 from Mostly Feathers & A Few Wild Hares Art Studio (art studio). Ms. Christina Smith, owner of the art studio, stated that Mr. Friedley took two of the prints with him on the date of the purchase and she delivered the remaining two prints to the Bureau on a later date. Ms. Merlene Byrge, Bureau administrative assistant, stated that she thought this was a personal purchase by Mr. Friedley because he brought the prints home. The receipt from the art studio contains Mr. Friedley's personal address and not the address of the Bureau.

Mr. Friedley stated that the prints were purchased at the Red River Revel for office décor and VIP give away items. Mr. Friedley added that all prints were either hanging on office walls or in the office basement when he left employment with the Bureau. We were unable to find any of these prints at the Bureau's offices.

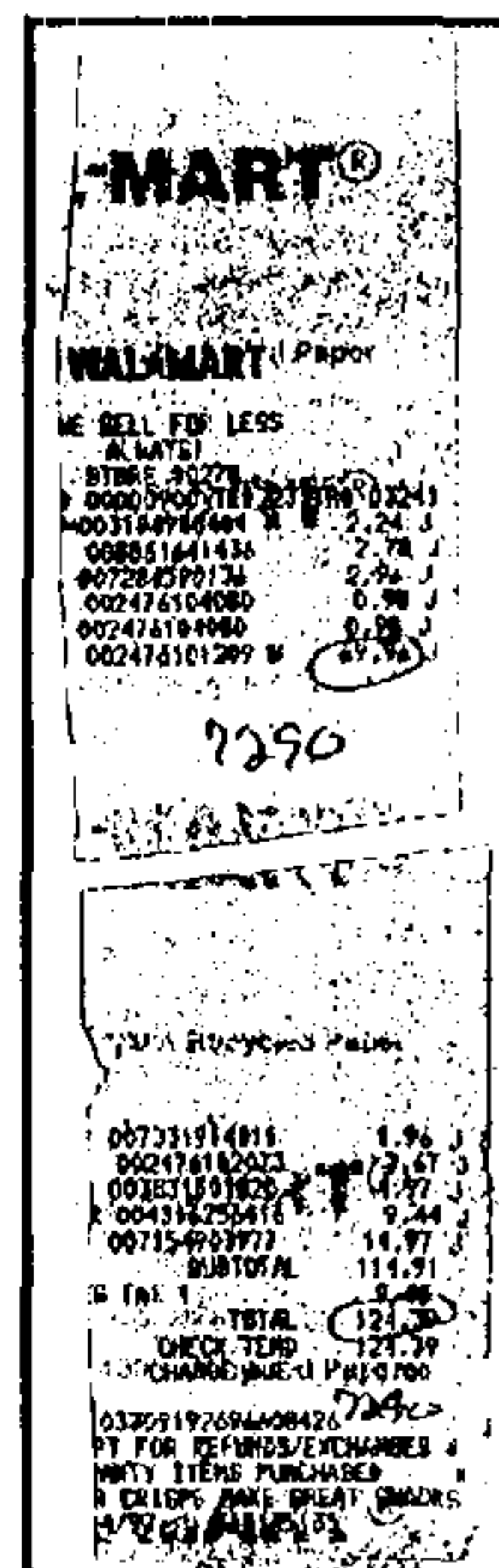
PURCHASE AT KAMPER'S KORNER

On January 6, 2000, Mr. Friedley charged \$645.06 on his Bureau credit card at Kamper's Korner in Shreveport. Mr. Friedley stated that this purchase was made with his Bureau credit card because his personal Discover card number had been stolen and a new card was being processed. However, the receipt that Mr. Friedly submitted to the Bureau as support for this purchase was actually created by Ms. Byrge at the direction of Mr. Friedley. The altered receipt concealed the fact that ski clothing was actually purchased from Kamper's Korner. The original credit card receipt submitted by Mr. Friedley claimed that these purchases were for Canadian Travel and Travel South show uniforms. (See Attachment II for the original and altered receipts.)

During June 2000, Mr. Friedley reimbursed the Bureau for this purchase and the purchase of personal telephones from Sears. The total amount reimbursed by Mr. Friedley to date for the personal expenses mentioned in this report is \$845.81; therefore, at least \$7,055 of Mr. Friedley's personal expenses have yet to be reimbursed. Mr. Friedley has reimbursed the Bureau for other personal purchases that were not included in this report.

PURCHASE AT WAL-MART

On his June 1997 expense report, Mr. Friedley submitted one receipt from Wal-Mart totaling \$124.39 that had been cut into two pieces. Both pieces of the receipt were submitted for reimbursement, which allowed Mr. Friedley to be reimbursed \$194.35 for this purchase. Consequently, Mr. Friedley was reimbursed \$69.96 that he was not entitled to receive. The fraudulent receipt (at right) was also cut in a manner as to conceal the items actually purchased.



ALTERED OR MUTILATED RECEIPTS

Subtotal	168.29
Tax	13.88
Total	182.17
CHECK	182.17
THANKS FOR SHOPPING WITH US!	
<i>Office Decorations</i> <i>Marshall Patten</i> <i>7290</i>	

<i>7290</i> <i>Decorations & Mutilated</i> <i>for LACUB / LTDC</i> <i>7290</i>	
SUBTOTAL	148.96
8.25% SALES TAX	12.29
TOTAL	161.25

In addition to the above questioned expenses, we found at least 24 occasions where Mr. Friedley submitted receipts (examples are above) totaling \$1,552 that had been altered or mutilated in such a manner as to conceal the items purchased or the origination of the receipt. Since most of the identifiable information has been removed from these receipts, we were unable to determine the public purpose, if any, for the purchase.

Mr. Friedley stated that he prepared his own expense reports. These expense reports prepared by Mr. Friedley contained many of the altered or mutilated receipts. However, Mr. Friedley maintains that he did not cut any of the receipts. Both Ms. Jerri Corder, current vice-president of administration and finance, and Ms. Jones, former vice-president of administration and finance, stated that they did not cut any receipts, but that the receipts had already been cut when given to them.

By using public funds for his own personal benefit and submitting altered, mutilated, or duplicate receipts, Mr. Friedley may have violated one or more of the following Louisiana laws:

- R.S. 14:67, "Theft"
- R.S. 14:133, "Filing False Public Records"
- R.S. 14:134, "Malfeasance in Office"

We recommend that the Commission implement policies and procedures to ensure that only legitimate business expenses are paid for by the Commission. These policies and procedures should prohibit the acceptance of altered or mutilated receipts as evidence of a public purchase and should include a thorough review of all documentation submitted to ensure that funds were used for a valid public purpose. In addition, we recommend that the District Attorneys for the First Judicial District and the Twenty-Sixth Judicial District of Louisiana review this information and take appropriate legal action, to include seeking restitution.

COMMISSION DONATED ITS FUNDS IN VIOLATION OF CONSTITUTION

The Shreveport-Bossier Convention and Tourist Commission (Commission) deposited its funds into a bank account in the name of the Shreveport-Bossier Convention and Tourist Bureau (Bureau). The Commission is a statutorily created public entity while the Bureau is a private, non-profit entity. Though both entities operated to accomplish the goals of the Commission, this transfer of public funds to the Bureau appears to be a donation that is prohibited by the Louisiana Constitution. Furthermore, the Bureau used a portion of these public funds for expenses that were not allowable by the Louisiana Constitution and were not in the best interest of the public. These included tickets for entertainment and sporting events; travel for spouses and friends of board members; alcoholic beverages; flowers for employees, board members, their relatives, and their friends; and food for office celebrations.

The Commission, established in 1970 by state law, is responsible for promoting tourism in the parishes of Caddo and Bossier. The Commission is funded by a 3% occupancy tax levied on hotel rooms, motel rooms, and overnight camping facilities. The Bureau has been in existence since before 1970 and was an unincorporated association before becoming a private, non-profit corporation in June 1999. The same employees and board of directors operate both the Commission and the Bureau. According to its audited financial statements, the Bureau operated as a not-for-profit organization and provided professional services to the Commission. Audit reports on file with the Legislative Auditor indicate that since 1992, the revenue derived from the occupancy tax on behalf of the Commission, totaling \$13,963,145, was deposited into bank accounts controlled by the Bureau.

The Commission and the Bureau operated together in a cooperative effort to accomplish the goals and objectives of the Commission with all books, records, and bank accounts maintained in the name of the Bureau. In 1995, legal counsel for the board advised that if this relationship were to continue, a cooperative endeavor would need to be entered into between the Commission and the Bureau. At its November 21, 1995, meeting, the board passed a resolution authorizing the execution of an agreement between the Commission and the Bureau providing for the Bureau to be the exclusive provider of services to the Commission. Because of oversight, this agreement was not signed until May 26, 2000. The board resolution and cooperative endeavor clearly evidences the existence of two separate legal entities, the Commission and the Bureau, and their intention to operate as such. In addition, the account into which the Commission deposits its tax collections is in the name of the Bureau. As a result, it appears as though the Commission and the Bureau have operated as two distinct entities with the Commission levying taxes and the Bureau using the proceeds to accomplish the purposes for which the Commission was established.

Article 7, Section 14 of the Louisiana Constitution provides, in part, that the funds, credit, property, or things of value of the state or any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private. The Louisiana Constitution further provides that for a public purpose, the state and its political subdivisions

may engage in cooperative endeavors for expenditure or transfer of public funds with any public or private association, corporation, or individual, such as the Bureau.

The Attorney General has recognized a threefold test for cooperative endeavors to be deemed valid under the Louisiana Constitution:

1. The expenditure or transfer of public funds or property must be based on a legal obligation or duty,
2. The expenditure must be for a public purpose, and
3. The expenditure must create a public benefit proportionate to its cost.

It does not appear that the Commission met any points of the Attorney General's threefold test when entering into the agreement with the Bureau in 1995. The cooperative endeavor failed the test because (1) no legal obligation existed since the Commission has no duty to enter into a cooperative endeavor with the Bureau; (2) no service was provided by the Bureau that could not be provided by the Commission since the staff and board of directors are exactly the same; and (3) the public benefit of contracting with the Bureau was not proportionate to its cost since the Bureau incurred expenses that were not in the best interest of the public and in violation of the Louisiana Constitution.

We noted the following types of expenses incurred that were not in the best interest of the public (Examples of each type of expense are included.):

1. Purchases of numerous blocks of tickets for local sporting events, theatrical presentations, and concerts
 - In 1997, the Bureau spent \$1,996 on four Shreveport Mudbugs Hockey season tickets.
 - In 1997, the Bureau purchased tickets totaling \$290 for two New York City theatrical presentations.
 - Six concert tickets costing \$238 were purchased for a board member on November 30, 1999.
2. Purchases of airfare and other travel related expenses for the spouses or friends of board members and employees
 - Airline tickets totaling \$986 were purchased for the spouses of two board members to attend the 1995 Mardi Gras in Washington, D.C.
 - In 1998, the Bureau spent \$1,427 in airfare and lodging for two friends of a board member to attend Mardi Gras in Washington, D.C.

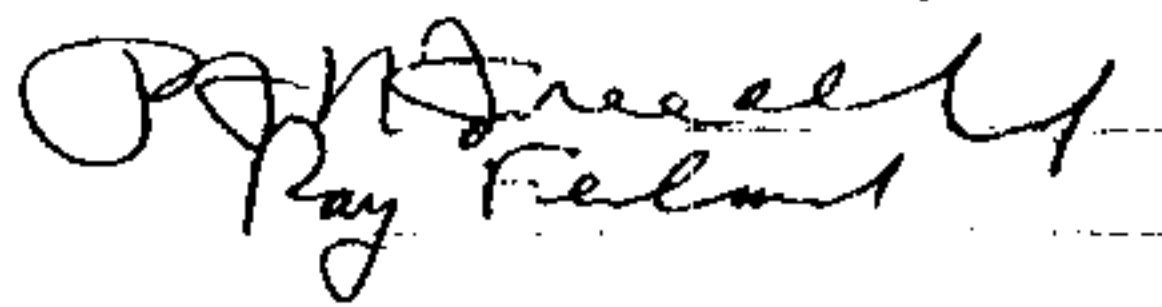
3. Purchases of alcoholic beverages associated with Bureau functions
 - On March 30, 1997, the Bureau spent \$509 for a keg of beer and bottled wine for a banquet in Dallas.
 - The Bureau purchased four bottles of champagne and one bottle of Jack Daniels totaling \$543 for the Miss USA pageant in 1998.
4. Purchases of flowers for employees, board members, their relatives, and their friends
 - On January 5, 1999, the Bureau purchased a floral arrangement totaling \$105, which was delivered to an acquaintance of Mr. Friedley's with the notation "looking forward to a fun evening and a wonderful Washington Mardi Gras."
 - On January 28, 1999, the Bureau purchased a floral arrangement totaling \$89, which was delivered to an acquaintance of Mr. Friedley's with the notation "Happy Birthday looking forward to dinner tonight, Preston."
5. Purchases of food items for office celebrations
 - On June 1, 1999, the Bureau spent \$384 for an employee luncheon at the Petroleum Club.
 - On March 18, 1998, the Bureau spent \$40 on a birthday cake for employees, which read "Happy Birthday Preston, Gina, and Amy."

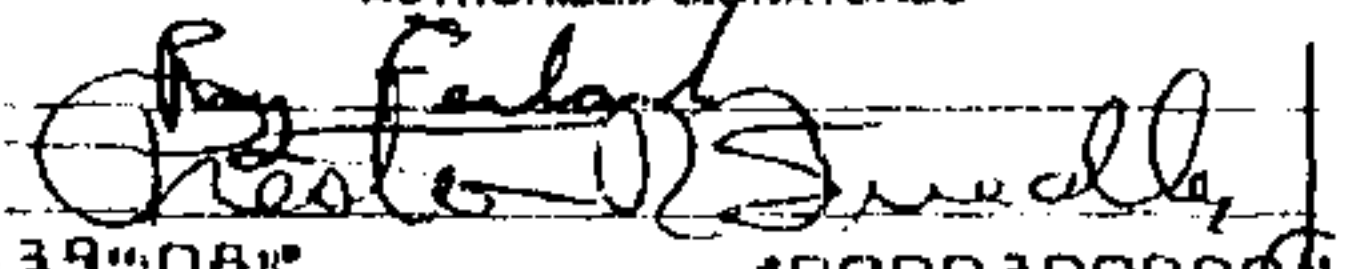
We recommend that the Commission terminate its cooperative endeavor agreement with the Bureau as no public purpose or benefit is provided. We further recommend that the Commission dissolve and discontinue any relationship with the not-for-profit corporation. The Commission should operate as a public entity and should adopt formal policies and procedures for travel, entertainment, and purchasing.


Attachment I

Checks Issued to Mr. Friedley and Ms. Jones

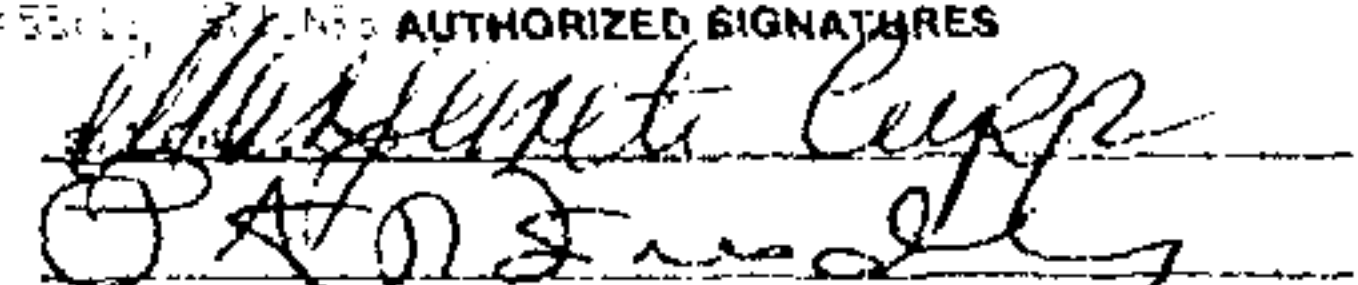
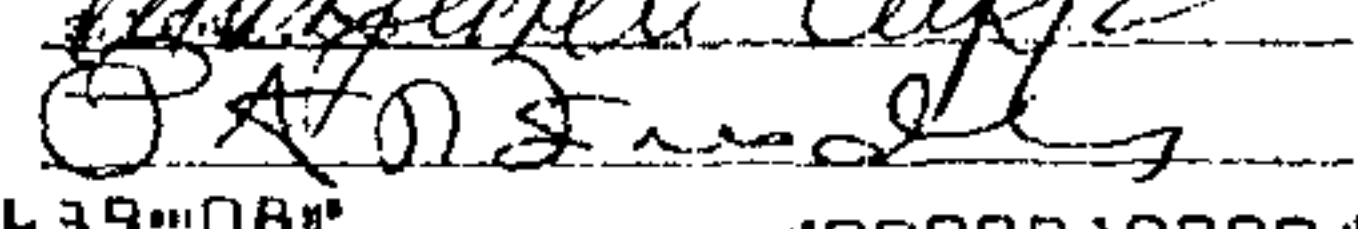
Checks Issued to Mr. Friedley and Ms. Jones

SHREVEPORT BOSSIER CONVENTION & TOURIST BUREAU POST OFFICE BOX 1761 • SHREVEPORT, LOUISIANA 71666		PIONEER BANK & TRUST COMPANY SHREVEPORT, LOUISIANA 84-450-1111		008582
		CHECK DATE 06/15/98		CHECK AMOUNT \$****2059.96
PAY Two Thousand Fifty-Nine and 96/100 dollars				
TO THE ORDER OF PRESTON R. FRIEDLEY, JR. 5004 OAK ALLEY BOSSIER CITY LA 71112		AUTHORIZED SIGNATURES 		
⑆008582⑆ ⑆111104879⑆		30 4390 8⑆		⑆0000205996⑆

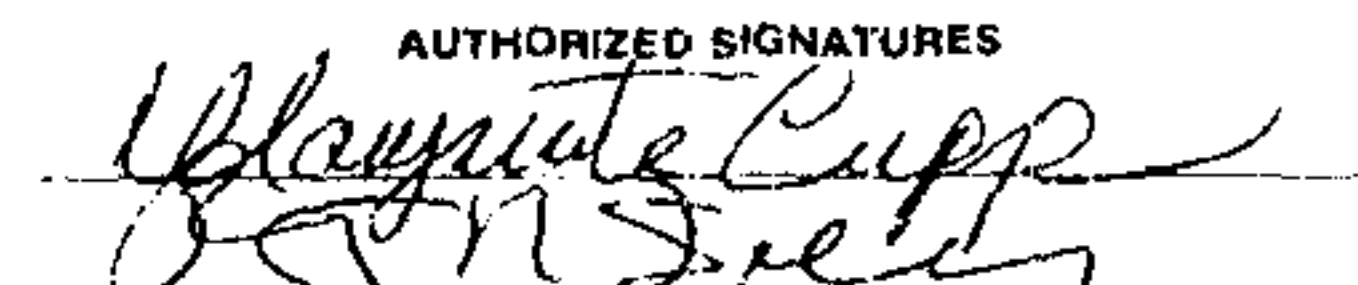
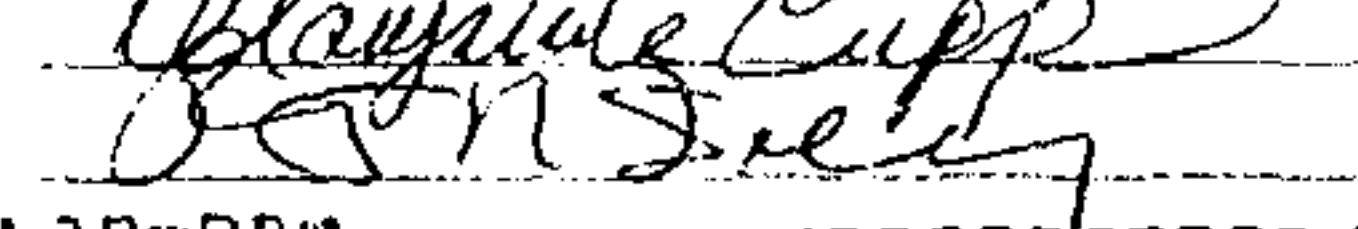
SHREVEPORT BOSSIER CONVENTION & TOURIST BUREAU POST OFFICE BOX 1761 • SHREVEPORT, LOUISIANA 71666		PIONEER BANK & TRUST COMPANY SHREVEPORT, LOUISIANA 84-450-1111		023685
		CHECK DATE 11/13/97		CHECK AMOUNT \$***3000.00
PAY *****3,000*DOLLARS AND NO/100*****				
TO THE ORDER OF PRESTON R. FRIEDLEY, JR.		AUTHORIZED SIGNATURES 		
⑆023685⑆ ⑆111104507⑆		30043908⑆		⑆0000300000⑆

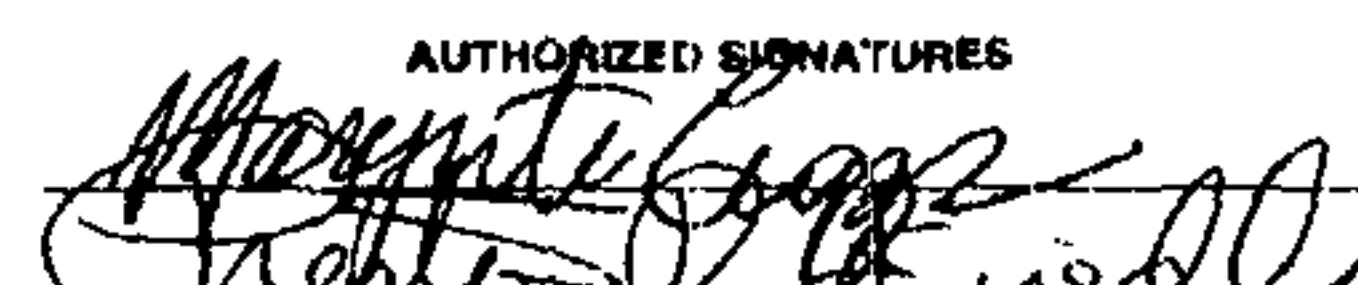

SHREVEPORT BOSSIER CONVENTION & TOURIST BUREAU POST OFFICE BOX 1761 • SHREVEPORT, LOUISIANA 71666		PIONEER BANK & TRUST COMPANY SHREVEPORT, LOUISIANA 84-450-1111		023686
		CHECK DATE 11/13/97		CHECK AMOUNT \$***2000.00
PAY *****2,000*DOLLARS AND NO/100*****				
TO THE ORDER OF RANDY SUE JONES		AUTHORIZED SIGNATURES 		
⑆023686⑆ ⑆111104507⑆		30043908⑆		⑆0000200000⑆

Check 8582 was a payroll check issued to Mr. Friedley. Checks 23685 and 23686 were issued to Mr. Friedley and Ms. Jones, respectively, for performance based pay. Mr. Ferland stated that he did sign Check 8582 and further stated that he did not sign checks 23685 and 23686. When auditors from the City of Shreveport found these checks in May 2000, they did not contain any supporting documentation; however, according to Ms. Corder, Mr. Friedley attached vouchers to the checks in June 2000 before the beginning of the Office of Legislative Auditor's investigation.

SHREVEPORT BOSSIER • CONVENTION & TOURIST BUREAU • POST OFFICE BOX 1761 • SHREVEPORT, LOUISIANA 71166		PIONEER BANK & TRUST COMPANY SHREVEPORT, LOUISIANA 84-450-1111		021388
		CHECK DATE	CONTROL NO	CHECK AMOUNT
		6/26/96	21388	\$100.00
PAY	One Hundred Dollars and 00/100*****			
TO THE ORDER OF	Preston Friedley	AUTHORIZED SIGNATURES  		
		"021388" "111104507" 3"0439"08" "0000010000"		

Ms. Cupp stated that this was her signature.

SHREVEPORT BOSSIER • CONVENTION & TOURIST BUREAU • POST OFFICE BOX 1761 • SHREVEPORT, LOUISIANA 71166		PIONEER BANK & TRUST COMPANY SHREVEPORT, LOUISIANA 84-450-1111		022679
		CHECK DATE	CONTROL NO	CHECK AMOUNT
		04/18/97	022679	*****500.00
PAY	Five Hundred and 00/100 ----- dollars			
TO THE ORDER OF	PRESTON R. FRIEDLEY, JR. 5407 SHASTA BOSSIER CITY LA 71112	AUTHORIZED SIGNATURES  		
		"022679" "111104507" 3"0439"08" "0000050000"		

SHREVEPORT BOSSIER • CONVENTION & TOURIST BUREAU • POST OFFICE BOX 1761 • SHREVEPORT, LOUISIANA 71166		PIONEER BANK & TRUST COMPANY SHREVEPORT, LOUISIANA 84-450-1111		022682
		CHECK DATE	CONTROL NO	CHECK AMOUNT
		04/23/97	022682	*****500.00
PAY	Five Hundred and 00/100 ----- dollars			
TO THE ORDER OF	RANDY SUE JONES 102 CARRIAGE SQUARE DRIVE BOSSIER CITY LA 71112	AUTHORIZED SIGNATURES  		
		"022682" "111104507" 3"0439"08" "0000050000"		

Check 21388 was issued to Mr. Friedley for travel expenses and checks 22679 and 22682 were issued to Mr. Friedley and Ms. Jones, respectively, for supplemental pay. Ms. Cupp stated that the signature on Check 21388 is her signature; however, she stated that she did not sign checks 22679 and 22682. These checks, and others, were examined by an expert handwriting analyst who gave the opinion that "The signature of Margarette Cupp was fraudulently written on the questioned checks, and that it is highly probable that Preston Friedley did pen the document."

Attachment II

Kamper's Korner Receipts

Kamper's Korner Receipts



Sent 2/28/00

FACSIMILE MESSAGE COVER

TO: _____ FROM: Annette Knight
 ATTN: Merlene TELEPHONE NO. (318) 861-6996
 FAX NO. 429-0666 FAX NO. (318) 861-1782
 DATE: Feb. 28, 2000 NO. OF PAGES INCLUDING COVER 1

MESSAGE:

Following is copy of sales receipt dated January 6, 2000

Trans	Inv#	Date	Customer	Item Code	Item Description	Price	Quantity	Total	T X H	Slsp.
5238	4745	01/06/2000	CASH	7343021	W OUTFPOST - BLACK	48.95	2.00	97.90	1 Y	7
5238	4745	01/06/2000	CASH	7348267	MEN'S TAOS	31.95	1.00	31.95	1 Y	7
5238	4745	01/06/2000	CASH	EVE2889	BLACK FUR RING HAT	17.00	1.00	17.00	1 Y	7
5238	4745	01/06/2000	CASH	EVE3070	BLACK FUR RING HAT	15.00	1.00	15.00	1 Y	7
5238	4745	01/06/2000	CASH	CB2010	WMS STEAMBOAT JACKET	120.00	1.00	120.00	1 Y	7
5238	4745	01/06/2000	CASH	CB2610	LADIES CHARLOTTE BIB	60.00	2.00	120.00	1 Y	7
5238	4745	01/06/2000	CASH	605284000076	SW HIKING HAT/GRY-MD	14.85	2.00	29.70	1 Y	7
5238	4745	01/06/2000	CASH	658739001890	SHORT GLOVE -BLACK- S	29.95	2.00	59.90	1 Y	7
5238	4745	01/06/2000	CASH	658739001876	SHORT GLOVE -BLACK- Lg	29.95	1.00	29.95	1 Y	7
5238	4745	01/06/2000	CASH	605284001462	S/W HIKING -SAGE- L	14.85	1.00	14.85	1 Y	7
5238	4745	01/06/2000	CASH	605284000113	S/W HIKING -GREY- L	14.85	1.00	14.85	1 Y	7
5238	4745	01/06/2000	CASH	053329410302	POCKET WALLET-BLK	11.95	1.00	11.95	1 Y	7
5238	4745	01/06/2000	CASH	087839059560	CABRIOLET MED-LT	10.95	2.00	21.90	1 Y	7
5238	4745	01/06/2000	CASH	087839059652	CABRIOLET MED-LT	10.95	1.00	10.95	1 Y	7
CC Credit Card				645.06 01/06/2000						
1=	595.90N=	0.00X=	49.16							
3=	595.90C=	219.80N=	376.10							

Preston Frielley
2001 - 2002
- President

*Preston Frielley
Shi Her Accessories*



Actual Kamper's Korner Receipt



FACSIMILE MESSAGE COVER

TO: _____ FROM: Annette Knight
 ATTN: Merlene TELEPHONE NO. (318) 861-8988
 FAX NO. 828-0866 FAX NO. (318) 861-1762
 DATE: Feb. 28, 2000 NO. OF PAGES INCLUDING COVER 1

MESSAGE:

Following is copy of sales receipt dated January 6, 2000

Item	Invoice#	Date	Customer
5238	4745	01/06/2000	Cash
5238	4745	01/06/2000	Cash
5238	4745	01/06/2000	Cash
5238	4745	01/06/2000	Cash

Item Code	Price	Qty	Item Description	Price
CD201Q	\$20.00	4	Jackets	\$200.00
CD206Q	\$19.00	10	Ladies Shirts	\$190.00
CD107Q	\$19.00	10	Men's Shirts	\$190.00
RV1056	\$ 7.95	2	Marking Pens	\$ 15.90

Sub-Total	\$595.90
Tax	42.16
Total:	\$643.06



Receipt Created by Ms. Merlene Byrge

Attachment III

Management's Response

Shreveport Bossier



SOUTHERN STYLE

October 13, 2000

**-Via Facsimile 225-339-3870
& Overnight Mail-**

Dr. Daniel Kyle, PhD, CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804

Dear Dr. Kyle:

In response to your audit findings, we have several points to address. Audit findings number one and number two are both shocking and disappointing. However, we have taken several steps to make sure that these types of abuse never occur again. The following are some of the internal controls we have developed:

1. To ensure a check and balance system, a second person was hired in the accounting department. We now have a VP of Finance/Administration and a Comptroller. We have upgraded our accounting computer system twice. All bank reconciliation's and financials are now on one accounting system. We also have a local CPA who confirms that our books are in complete balance at the end of each month before financials are run.
2. We complied with the suggestions of our external auditor by forming finance and personnel committees. We have hired a Human Resources Manager to review and completely rewrite our personnel manual, policies and procedures. The new Human Resources Manager also provides backup in the accounting department.
3. New policies and procedures for travel, credit cards, and cell phones have been developed and adopted by the board. Personnel on a regular basis no longer carry credit cards. Credit cards must be checked out from the accounting department for limited purposes and detailed, properly documented receipts must be turned in immediately.
4. The bureau board now receives a detailed monthly check register for review along with monthly financial and balance sheet statements. All checks are computer generated so every single check is accounted for.

With our new policies and procedures we have strengthened our accounting program and are looking forward to healthy growth in the future. Our 1999 internal audit shows the bureau to be financially sound.

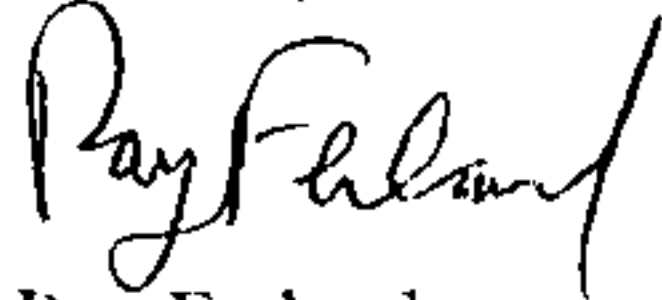
According to finding number three there is confusion about the relationship between the Commission and the Bureau, and some questionable expenses. We concur with your conclusion that the enumerated expenses were inappropriate. Over the past several months we have implemented a number of changes designed to prevent incurring such types of expenses in the future including, but not limited to:

A new detailed travel policy which includes an "Authority To Travel" form and what are proper and improper expenses. Also included in the travel policy, and further detailed in the credit card policy, are the entertainment procedures. In addition, purchases are specifically addressed in both policies.

Although we respectfully disagree with your apparent conclusion that the Commission's transfer of funds to the Bureau raises constitutional issues¹, we concur with your recommendation that in the future the Commission should operate simply as a public entity by dissolving its relationship with the Bureau and becoming one entity. The Commission has already taken some steps toward this goal and will continue to address this recommendation in the weeks ahead to expeditiously resolve the confusion between the operations of the Commission and the Bureau.

We appreciate your assistance in guiding our organization.

Sincerely,



Ray Ferland
Chairman



Stacy A. Brown
President

¹ As you state, "... the Commission and the Bureau have operated as two distinct entities with the Commission levying taxes and the Bureau using the proceeds to accomplish the purposes for which the Commission was established." *The Bureau's expenditure of the Commission's funds are therefore clearly in furtherance of a legal obligation of the Commission.* This is another way of saying that the Bureau used the proceeds of the Commission's tax to fulfill the Commission's legal obligations regarding the expenditure of those funds. In *Guste v. Nickels College Foundation*, 564 So.2d 682 (La. 1990), the Louisiana Supreme Court held that a transfer from a public body to another entity does not violate the constitution if the transfer was made "in the discharge of the (public body) constitutional legal duties" and if the transfer was accepted by the transferee "with a commitment to assist the (public body) in carrying out its constitutional and legal duties" Clearly, the Bureau's efforts to assist the Commission in carrying out its constitutional and legal duties constituted a public purpose. Finally, there is no evidence that the Bureau carried out the constitutional and legal duties of the Commission less efficiently than could the Commission itself. Therefore, Bureau expenditures clearly created public benefits proportionate to their cost.

Attachment IV

Legal Provisions

Legal Provisions

The following legal citations are referred to in the Findings and Recommendations section of this report:

R.S. 14:26 provides, in part, that criminal conspiracy is the agreement or combination of two or more persons for the specific purpose of committing any crime; provided that an agreement or combination to commit a crime shall not amount to a criminal conspiracy unless, in addition to such agreement or combination, one or more of such parties does an act in furtherance of the object of the agreement or combination.

R.S. 14:67 provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

R.S. 14:72 provides, in part, that forgery is the false making or altering, with intent to defraud, of any signature to, or any part of, any writing purporting to have legal efficacy.

R.S. 14:133 provides, in part, that filing false public records is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, any forged document, any wrongfully altered document, or any document containing a false statement or false representation of a material fact.

R.S. 14:134 provides, in part, that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

Article 7, Section 14 of the Louisiana Constitution provides, in part, that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

